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JPRS Report

East Europe

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East Europe

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**Collins Denies EC Supports Hungary on
Gabcikovo**

*AU2106134491 Bratislava NARODNA OBRODA
in Slovak 20 Jun 91 p 1*

[CTK report: "Another Lie Unveiled"]

[Text] Brussels—CSFR Deputy Foreign Minister Zdenko Pirek, who is holding discussions in Brussels on the agreement on Czechoslovakia's joining the European Communities, met—upon his own request—with Kenneth Collins, European Parliament Committee for Environmental Protection chairman, yesterday. He demanded an explanation of the statements on the Gabcikovo-Nagymaros electric power project made—

according to the MTI press agency—by Pedro Bofill, "deputy chairman of the European Parliament Committee for Environmental Protection". He allegedly made a statement that the European Parliament highly appreciates the Hungarian Parliament's stance against the completion of the hydro project on the Danube river. K. Collins drew attention to the fact that P. Bofill is neither deputy chairman nor even a member of the European Parliament Committee for Environmental Protection but he is the deputy chairman of the European Parliament Delegation for Contacts with the Hungarian Parliament. Collins stressed that the committee, which he chairs, has never dealt with problems connected with the Gabcikovo-Nagymaros hydro project.

Position of Green Party Assessed

91BA0652A Sofia DEMOKRATSIYA in Bulgarian
27 Apr 91 p 4

[Article by Vladimir Sotirov, Green Party parliament member: "The Green Party—Right or Left?"]

[Text] The misunderstandings started on parliament's very first day in Veliko Turnovo, when the SDS [Union of Democratic Forces] confidently sat on the benches on the left side (as seen from the rostrum), and the BSP [Bulgarian Socialist Party] just as confidently sat on the benches on the right. A week later, however, when the deputies sat the same way in Sofia, it became necessary to change places. This way, even now, the SDS sits on the right, which means it is a right-wing organization, and the BSP sits on the left—that is, it is right-wing.

Of course, the issue would hardly have been serious if it had not come down to a point of reference—whether we see it from the president's box, or from the chairman's bell. In any case, the SDS and the BSP are at the two extremes of the political field. Where does the Green Party fit in? The answer is not at all obvious because we still have no permanent place in parliament. The difficulties stem from the fact that there are two scales with "right-left" orientation in Bulgaria. One of them I will call "ours," according to which the degree of hatred toward communists is measured. Better yet, it is the vocal manifestation of hatred and perhaps should be measured in decibels. The standards are sufficiently well known to merit mention here. It is immediately obvious that, according to this scale, the Green Party is not at all right-wing: Waving fists and chanting single-word slogans are not its style. Another political scale exists, however, that corresponds to world standards, and, according to it, we are a liberal right-wing party because we not only minimize the role of the state in the distribution of the national product, but we even agree that, after half a century during which private ownership was eliminated by the state, the state must now make extraordinary efforts to revive it. According to this scale, the Green Party naturally stands to the very right of the communists (for whom the ideal was collecting wealth in one place and then distributing it equally), but it is also to the right even of the socialistically oriented parties within the SDS. Focusing not on the socially disadvantaged but rather on the advantaged, the private owners, who must exist so that there is someone to help the disadvantaged—that is our radical line.

One rarely notices how natural the communist idea is and to what degree it corresponds to the natural feeling of justice—that feeling that makes us feel good when the rest are in as bad a situation as we are. Filled with this feeling, the BCP [Bulgarian Communist Party] started to implement the "bright" ideas for a new social structure by replacing the law with revolutionary expediency. And now, if we wish to eliminate the base of communist structure, the most natural thing at first glance is to get rid of its participants—former communists and present

management officials, to expropriate all their property because it is known how it was acquired, and some may even propose to send them to appropriate places and make them pay for the ruin they brought upon us. The reason is that the total democratic process is impossible in a country that is not yet democratic. In Rome, do as the Romans do!

Yes, this model looks magnificent, except that it looks suspiciously like the victorious 9 September [1944]: total dismissal, confiscations, people's court.... It is true that most wealth [belonging to officials] looks suspicious. It is true that party members have an advantage, and that all communists are guilty, including the so-called honest communists because it is precisely they who, with their naivete, gave the monster a human mask.... I do not deny the truth of the accusations; I only reject the proposed solution: "Deal with the communists in a communist manner!" It is easy to detect the communist sitting across from us. It is much more difficult to detect him within ourselves.

The Green Party's approach to eliminating the communist idea and its structures is not ideological, and it is not administrative. Rather, it is economic and is, therefore, the most radical. Our goal is to establish the conditions in which Bolshevism cannot thrive. No, it will not be destroyed; it simply will not emerge. This is the only guarantee to ensure that red Bolshevism will not be replaced by blue, or possibly even by green.... Communist parties in countries that are models of democracy barely drag themselves. The new economic climate here will eliminate the need to belong to a communist party in the same way in which oranges do not grow along the Black Sea—not because someone keeps stepping on them but because they do not thrive there. The communal person, a person without property, is forced to seek support in communism, while the individual finds support in his own property. The only force that will drive the *nomenklatura* out of our enterprises is private ownership. And we will create it.

Finally, against the background of the unclear political and economic programs of most parties and movements, the most precise answer to the question "Are we a left-wing or a right-wing party?" would be: We are a Green party.

Role, Activities of BSDP Foundation

91BA0646A Sofia SVOBODEN NAROD in Bulgarian
27 Apr p 3

[Interview with Valentin Mladenov, executive director of the Yanko Sakuzov Foundation, by Zornitsa Gyurova; place and date not given: "A Cause Is Always Collective, Says Valentin Mladenov, Executive Director of the Yanko Sakuzov Foundation"—first two paragraphs are SVOBODEN NAROD introduction]

[Text] The Yanko Sakuzov foundation was established at the end of August 1990 by the Executive Council of the Bulgarian Social Democratic Party [BSDP]. Its goal

is the promotion of social democratic ideals in their classical aspect as well as in their present dimensions.

Mr. Valentin Mladenov, executive director of the foundation, has a degree in international relations from the Economics Institute in Sofia and, in 1988, defended a dissertation on the following topic: The Spanish Socialist Workers Party in the Transition From Francoism To Democracy. His team is made up of Petur Koev, BSDP secretary; Mariana Milosheva, historian and academic secretary; and Maria Ivanova, in charge of international relations. Vicente Uribe is the editor in charge of the foundation's future magazine.

[Gyurova] Mr. Mladenov, what have the five of you done during this short period of time the Yanko Sakuzov foundation has been in existence?

[Mladenov] The foundation, together with the Institute for Economic and State Administration and the Union of Bulgarian Journalists, organized a seminar series on the "Market Economy and the Socialist State," in which the Friedrich Ebert foundation of Germany also participated. It took place during October and November of last year. Seven prominent German specialists in the field of labor relations, trade union affairs, and the economic organization of society were in Bulgaria. On the Bulgarian side, everyone who was interested, regardless of party or trade union membership, was invited. I would like to emphasize that we do not work on the party principle, but rather on an educational one. Afterwards, in December and February, we twice sent three people to Germany to be trained in working with labor problems. These were experts from the foundation, from the KNSB [Confederation of Independent Trade Unions in Bulgaria], and from the Podkrepa KT [labor confederation]. We participated in the anniversary meeting dedicated to Yanko Sakuzov under the auspices of BAN [Bulgarian Academy of Sciences]. I think that the discussion initiated was more to honor his name, while Sakuzov's political philosophy can still be given a new meaning from an academic point of view. Even specialists favorably inclined toward social democracy are still paying dues for the many years of deception regarding the "common cause." The foundation carried out two large and serious research projects on problems in municipal self-government, and on issues of the trade union movement in Bulgaria.

A team of sociologists did research on the process of destruction of Bolshevik stereotypes in the conscience of the Bulgarian people. It attracted definite interest because it deals not only with the rejection of the Bolshevik ideological image but also with its reverse version—that is, Boshevism with an opposite sign. The results were published in the SVOBODEN NAROD newspaper.

The other study is also ready; it addresses the obshtina's problems. Jointly with the university publishing house, we are publishing Konstantin Bozveliev's memoirs and a collection about the first two to three decades of the

history of social democracy, which are studies done by some of our well-known researchers who specialize in this period.

[Gyurova] How are the foundation's relations with similar European institutes?

[Mladenov] The foreign relations field is perhaps the one of greatest activity at the moment. We have very good relations with the Karl Renner Institute in Vienna, which plays the role of a political school for the Austrian Socialist Party. We are working on a joint research project it is doing on all of Eastern Europe titled: "Political Parties in Eastern Europe After the Crash of Communist Regimes and the Formation of the New Party and Political Structure." On the Bulgarian side, the foundation will write a 50-to-60-page report. We are also working with the Renner Institute on a training program in the field of obshtina issues. We have good relations with the Jean Jaures foundation in France. It was formed very recently, even later than ours. We plan to send 20 to 30 persons for two months of training in French municipalities. We will organize a discussion on party principle with the French on the issue of how a democratic party functions under democratic conditions. We have also made contact with the Dutch Alfred Mozer foundation regarding problems of municipal self-government and the cooperative movement. In our country, people have a distorted concept of the cooperative movement. The result of this method in a highly developed country such as Holland shows that the cooperative is not an archaic idea.

A seminar was organized in Vienna with the Karl Renner Institute and the Friedrich Ebert foundation on the problems of privatization in Eastern Europe. We maintain continuous relations with the latter.

[Gyurova] What funds are available to you?

[Mladenov] All official trips are paid by the receiving country; that is, our partners cover all expenses. The financial condition of the foundation is not great. Except for donations from the BSDP and SVOBODEN NAROD, we have received nothing. In Western Europe, similar organizations that deal with the solution of socially significant problems, even just in discussion and intellectual efforts, usually receive money from both their party and the state, while the parties themselves are financed by the state in proportion to election results. Parties in the West are not created to make money but to compete in the governing of the country. I think that common sense will sooner or later prevail, and more foundations like ours will be created here to promote political ideas, so that a broader exchange of opinions and evaluations will take place. Everyone interested in these institutions will finance the activities of these foundations.

[Gyurova] What donations have you received so far?

[Mladenov] Old literature. Recently, the foundation received books that had passed through Belene, so to

dossiers. It felt that the dossiers of the left side of parliament would come out.

[Menkadzhieva] From the Sixth Department of the Sixth Directorate?

[Stamboliyski] Not only from the Sixth Department. Information is collected by the other departments of State Security, as well. It is not possible to have a movement that is not along horizontal lines. If some intelligence agent with a different job discovers information that compromises the BCP, that is information that also concerns the state. I know that the party and the state were one. There was such a movement of information along horizontal lines, and it went to the Sixth Directorate.

[Menkadzhieva] Do you feel that all journalists who were correspondents abroad—the attaches “beyond the Iron Curtain”—were obliged as part of their official functions to follow the activities of Bulgarian emigrants abroad, the reactions of the country itself concerning events concealed in Bulgaria—trade with weapons and narcotics, the regenerative process, political murders? These people, in order to be our representatives abroad, were obligatory members of the BCP—and today they are not considered informers....

[Stamboliyski] Yes, they were soon interpreted as spies. But, in every embassy and in the socialist countries (I am speaking particularly about Czechoslovakia, where I have spent more time), there were employees of State Security, who collected and filtered the information and sent it to the appropriate department of State Security.

[Menkadzhieva] Do you feel that today, in principle, we need to reexamine our position as to what a counterintelligence service should include? The entities that protect the Constitution and the state should acquire a fundamentally different character.

[Stamboliyski] There is not a state in the world that does not have intelligence and counterintelligence. But these institutions must not serve a specific party because, with the uniting of the party with the state, no one knew whether the information was given and used by the BCP or by the state. And when our emigrants abroad were followed, the information was of interest not to the state but to the Communist Party.

[Menkadzhieva] We accept that there are no more dossiers....

[Stamboliyski] There are, but they are easily stopped.... Today I was also very surprised when I read in DUMA that there is an archive in the Sixth Department of the Sixth Directorate. But when we looked for it, we were not able to uncover it. That told us that they were taken and returned again afterwards. It even got to the point that people whose names were given to us denied that they worked in the Sixth Directorate, who told us that they were tending the little garden of the People's Palace of Culture.

[Menkadzhieva] And do you feel that the criminal acts of the deputies in the Grand National Assembly should be examined?

[Stamboliyski] I worked on this part of the report. This was information that we received from two places, the Ministry of Internal Affairs and the Ministry of Justice—certificates showing no previous conviction. I would not say that all of the deputies who figure in this part of the report are criminals. In the commission, we established that 53 persons were tried during the time of the monarch-fascists and the totalitarian times. We put these people and those who attempted to flee the country on a separate list. In spite of the fact that they were treated as crimes against the state, the “desertions” acquired political significance.

Besides that, it was established that 15 deputies were tried for greater or lesser criminal acts. In these cases, there were also catastrophes—and with the taking of human life and abuses and thefts, there was debauchery.... We graded them in separate references. Unfortunately, I have to admit that, of the 53 who were politically sentenced, several were also on the list of those guilty of criminal acts. So I have nothing against revealing the second part of the report by the Inquiry Commission.

[Menkadzhieva] Do you feel that, in the election of a new parliament, the national representative candidates should be obliged to present certificates of no prior convictions?

[Stamboliyski] Yes, I think that is in order, in spite of the fact, it seems to me, that the dossiers of some decent people will be published in the newspapers while they are running for candidacy.

[Menkadzhieva] What do you think, Mr. Stamboliyski, which is worse? A person with a record of being an informer in a totalitarian system who is trying to be honest, or a deputy who is not tarnished with a dossier but votes for terrible laws?

[Stamboliyski] I have not said that people who were forced to be informers are dishonest people. Maybe they were made to do this in many ways. And someone who is dishonesty itself but has no ties to the organs can slip into parliament. The second one has a lesser right to approve laws than the person who was forced in whatever way to serve the former system. I cannot say that I am the most honest, the most free of a dossier—and I have a dossier, but it was written against me. They recalled me from Czechoslovakia because they got a signal that I intended to flee over the border. They suggested to me that I look at the dossier, but I refused; I am not vindictive.

[Menkadzhieva] And, as a finale to our discussion: I have always felt that, in some way, the name has a connection with the countenance one bears.

[Stamboliyski] In appearance, I do not resemble a Stamboliyski. I resemble my mother. My father resembled my grandfather more. In character, I am not so aggressive, I do not have his qualities, but I have always strived to preserve the name Aleksandur Stamboliyski untarnished.

Figures on Illegal Border Crossings Reported

AU2606010891 Sofia OTECHESTVEN VESTNIK
in Bulgarian 20 Jun 91 p 2

[Text] During the last nine months, 524 attempts to illegally cross the Bulgarian state border were foiled and 2,073 persons arrested. On 19 June, Vasil Stanoykov, spokesman of the Border Troops, did not conceal from the journalists the fact that many persons did succeed in illegally crossing the border. Most of the incidents occurred on our western border with neighboring Yugoslavia. It is well known that the defenses have been dismantled on this border and the restrictions on approaching the border removed. Most people try to leave Bulgaria, but illegal crossings in the opposite direction also take place. Most of the cases involve citizens of Asian and African countries. Our compatriots who make use of these channels are mainly criminals sought by the police and smugglers. Since 1 April, a decision has been in force to create a two-km forbidden zone, which should help the Border Troops carry out their protection duties more effectively.

At the moment, 25 arrested persons, whose reasons for entering Bulgaria are not clear, are under investigation. The conflict concerning our southern border on the Rezovska is particularly dangerous. The Turkish side is openly violating international law. It is well known that illegal construction was carried out near the river, and its delta was shifted to within Bulgarian territory.

Fewer Children Available for Adoption

91BA0724A Sofia DUMA in Bulgarian 1 May 91 p 2

[Article by Katya Mollova: "A Baby May Cost From Five to 5,000 Leva"]

[Text] The rising inflation is also affecting the bribes paid by some families who would like to adopt a baby of "guaranteed quality." According to well-informed sources, the price has jumped from 2,000 to 5,000 leva.

Emiliya Logoeva, midwife at the sociolegal office of Obstetrics-Gynecology Hospital No. 2 in Sofia, explained that the only cost to the adoptive parents is a five-leva stamp that is the state's fee for the adoption.

Clearly, however, to be safer, families that are quite mistrustful and cautious prefer to pay more to a physician who will choose a healthy baby for them. This, naturally, takes place without a third person being present in the office.

For that reason, it is difficult to prove the illegality of this deal. Several years ago, one of the gynecological hospitals in Sofia had become famous for the "sale" of babies. However, nothing could be proved. Individuals who deal with the problem believe that proving such deals is almost impossible. Those who were given the physician's advice to "pay the money or else adopt a kitten" would rather adopt a kitten than testify against the physician.

Lately, the demand for babies has greatly exceeded the supply. The trend of a declining number of children born out of wedlock is explained by the freedom of abortion and the fact that our society has already become accustomed to unwed mothers and is accepting this phenomenon as normal. According to some specialists, however, the age of girls giving birth is steadily dropping because girls age 15 or 16 do not dare have abortions.

The waiting line for babies is of some 100 persons at Obstetrics-Gynecology Hospital No. 2, and up to 300 at the Maychin Dom NIAG [Scientific Research Obstetrics and Gynecology Institute]. However, the waiting period is between two and three years. Since the beginning of this year, of the 130 children born out of wedlock at the Maychin Dom Institute, only 28 have been adopted. Only two babies born at Obstetrics-Gynecology Hospital No. 2 were adopted. Some of the children are not being offered for adoption but are being temporarily raised at the Mayka I Dete Home—until their mothers are able care for them.

A large number of babies are born with some defects. We do not put them up for adoption but send them to a special home for children. Their tragedy is great, says Mrs. Logoeva.

According to her observations over a period of 17 years, most of the children with defects have been born to families of people with higher educations and to intellectuals. It is only in rare cases that children born out of wedlock are genetically defective, Logoeva claims.

In her view, the economic crisis has not affected the desire of people to have children. In the past, as well, some people have hesitated when, after years of waiting, they have been offered a suitable child. Those applying for children are no longer exclusively families; the list includes unmarried and divorced women who believe that raising a child, even without a husband, will give their lives more meaning.

held talks in Germany on an agreement between the two countries' governments on cooperation in the struggle against organised crime, to be signed in September.

At the conclusion of his visit today, Ruml told journalists the talks he held here were the first official ones between the German and the Czechoslovak Interior Ministries since November 1989 when the communist regime was overthrown in Czechoslovakia.

Ruml said he had been authorised by Federal Interior Minister Jan Langos to invite his FRG counterpart, Wolfgang Schauble, on a visit to Czechoslovakia.

Terrorism, drug trafficking and smuggling are well organised on an international scale, Ruml said. Therefore, bilateral and multilateral agreements must be concluded to counter them, he added.

The German side proposed to organise training courses for Czechoslovak policemen about drugs and terrorism, Ruml said.

Referring to a prepared treaty on cooperation between Czechoslovakia and Germany, Ruml said the fact that the Sudeten German Landsmannschaften got involved in discussions on the treaty complicated the situation from the political point of view.

It is very important that both sides draw up the treaty with maximum understanding of the situation which followed the collapse of the totalitarian regimes, Ruml said.

He stated that the people of Czechoslovakia would be unpleasantly surprised and would hardly accept it if the president of a democratic state, Vaclav Havel, would be in a worse position in concluding the treaty in 1991 than the president of the communist state, Gustav Husak, was in 1973 when the treaty on the normalisation of relations was concluded.

Carnogursky Describes Kromeriz Treaty Agreement

*AU2106180791 Bratislava SLOVENSKY DENNIK
in Slovak 20 Jun 91 pp 1-2*

[Article by Slovak Prime Minister Jan Carnogursky: "There Will Be a Treaty"]

[Text] On 19 January the Christian Democratic Movement [KDH] Presidium Council adopted a resolution stating that the KDH demands that a treaty be concluded between the Slovak and Czech Republics as a basis for the federal constitution. On Monday 17 June we came very close to fulfilling this KDH Presidium Council demand.

Following Lany and Budmerice, Kromeriz became another meeting place on Monday for approximately 30 representatives from the parliamentary parties and movements, experts, constitutional officials, and the

president of the Republic in their search for an agreement on the shape of the future constitution. The public statements made by the meeting's participants prior to their arrival in Kromeriz did not provide much hope that consensus would be reached. In the end, the course of the meeting demonstrated that it is one thing to make effective statements to the press and another to find a solution for our joint state that guarantees stability and security for its citizens.

During the previous meetings involving representatives from the parties and movements, three main contentious issues concerning the future constitution were crystallized. The first was a draft Federal Assembly constitutional law on preparing a new constitution. The second was a state treaty between the Slovak and Czech Republics containing the principles for the future constitution and the third contentious issue was ratification in the national councils. The majority of participants in Kromeriz agreed on a solution that leaves out the first contentious issue—a Federal Assembly constitutional law on preparing the new constitution—but includes the other two issues. According to the agreement reached, the Slovak National Council [SNR] and the Czech National Council, as representatives of their republics, will conclude a treaty on the principles for the constitutional and legal arrangement. The treaty will be binding for the Federal Assembly which, on its basis, will draft a constitution for the joint state. The binding nature of the treaty for the constitution will become self-evident in the sense that the constitution will be subject to ratification in the national councils. The contents of the treaty were not discussed in Kromeriz. These will be the exclusive result of an agreement between both national councils. The republican constitutions were also not discussed. These may be adopted prior to the conclusion of a treaty or following the conclusion of a treaty. It is true that after the joint constitution is adopted, they should not be at variance with it.

The treaty should specify the fundamental division of jurisdiction between the central organs and the republics and should specify joint organs for other possible fundamental issues. According to the KDH, the state's central organs should have jurisdiction in defense, security, and foreign policy issues, and there should be a single currency and a basic legal system. There should also be a joint head of state, a joint Army, and a directly elected Federal Assembly and Constitutional Court. The decisions made by the central organs in these spheres of jurisdiction should apply directly on the territory of both republics. The republics should have all the remaining jurisdiction. When dividing jurisdiction, we proceed from the subsidiary principle in the sense that the central organs should only execute authority that the republican organs are unable to execute well. A treaty concluded between the national councils does not at all deprive us of the right to apply for an independent position in the future integrated Europe. On the contrary, it provides us with a starting point for such a position. The treaty will be a legal expression of real equality between the Slovak

and Czech Republics. After it is concluded, it will be up to us to show that we can in fact act like equals. For the sake of entirety, I have to add that I agreed with the treaty, with its binding nature for the constitution, and with its subsequent ratification in the national councils, but—on behalf of the KDH—I reserved the right to definitely express ourselves on it following a decision made by our council.

Seventy-three years ago our ancestors living in America concluded an agreement with Czech representatives in the city of Pittsburgh. The agreement, although soon afterward not respected by the Czechoslovak Republic and described by T.G. Masaryk as invalid, became the basis for our coexistence with the Czech nation in a joint state, and we invoke its stipulations to this day. The SNR, as the most supreme representative of state authority in the Slovak Republic, will be able to conclude a new agreement with its equal representative in the Czech Republic and it will be up to us to ensure that no one violates this new agreement to our detriment.

Carnogursky, Miklosko on Constitution Talks

*AU2006193991 Prague LIDOVE NOVINY in Slovak
19 Jun 91 p 16*

[Interview with Slovak Prime Minister Jan Carnogursky and Slovak National Council Chairman Frantisek Miklosko by Stefan Hrib; place and date not given: "A Kromeriz Echo"]

[Text] [Hrib] Who took a decisive step toward the other side and on which issues?

[Carnogursky] To date, Klaus' Civic Democratic Party has been against a treaty; if they had agreed, it could have been said that they had taken this step. However, it is true that other Czech parties likewise understood only the national councils' joint legislative initiative toward the Federal Assembly under the concept of an agreement or a treaty. They made certain concessions in the sense that the issue does not only involve a legislative initiative.

[Hrib] Where did the Slovak side make a compromise?

[Carnogursky] We abandoned our demand that a Federal Assembly constitutional law on preparing the federal constitution be adopted beforehand.

[Hrib] Did Kromeriz signify a positive shift?

[Miklosko] Definitely. All the talks in recent weeks—and even during the final hours in Kromeriz—ended in a blind alley. It seemed that we could not find a common language. The proposal presented by President Havel allowed us to look at the issue anew and turned out to be a good starting point. If Dr. Carnogursky has today called the talks a breakthrough, this is indeed the case. At the moment, I am beginning to be more optimistic.

[Hrib] Who made this breakthrough possible? Who made the compromise?

[Miklosko] The Slovak side accepted that an amendment to the constitutional law, on whose basis the national councils would be empowered to conclude a treaty, does not have to be adopted. It also withdrew its demand that the treaty's legal validity had to be internationally recognized. The Czech side made a compromise by accepting such a possibility for drafting the federal constitution and by accepting that it will proceed from the will of the republics and from a treaty that would form the basis for the federal constitution. This would then be ratified by the republican national councils. It seems to me that the entire problem could be resolved in such a manner.

Press on Outcome of Constitution Summit

AU2106114691

[Editorial Report] Czech and Slovak newspapers on 19 June publish 500 to 700-word commentaries on the 17 June Kromeriz talks, involving President Havel and representatives of all 22 political parties, movements, and clubs represented in the three parliaments, on the drafting of new constitutions. The commentaries focus on the main outcome of the talks—the agreement that the Czech National Council and the Slovak National Council should draft a treaty on the principles of the constitutional setup of Czechoslovakia.

Bratislava NARODNA OBRODA in Slovak on 19 June on page 3 carries a 600-word Jan Fuele commentary on the Kromeriz summit entitled "Will the National Councils Be Able To Cope?" Fuele is skeptical about the practicability of the agreement reached at Kromeriz. He points out that there exist "conflicting tendencies" within the two national councils, which will be difficult to reconcile while drafting the treaty. Only then will it be possible to commence talks between the two national councils, which will "slow down and complicate" the process of drafting the treaty even more. It is "very likely," in Fuele's opinion, that the "inability to find a solution acceptable to both sides" will only make the two sides' positions more radical. Moreover, with the date for the elections approaching, deputies are likely to increasingly pay heed to the elections. Summing up, Fuele therefore says: "The decision of the day before yesterday means that what we have rightly feared will happen—the constitutions will become mainly an issue of political struggle."

Bratislava SMENA in Slovak on 19 June on pages 1 and 4 carries a 700-word Robert Kotian commentary entitled "A Step Ahead, Even If Only a Tiny One." Kotian views as "positive" the fact that the Kromeriz meeting arrived at an agreement. On the other hand, the "most serious problems have not been warded off"; rather, the "heavy burden has only been shifted to the shoulders of the parliaments." Difficult talks between the Czech National Council and the Slovak National Council must be expected, according to Kotian, and it will have to be

considered a "success of the present political elite if the constitutions are adopted prior to the start of the election campaign."

In the author's view, both sides can be satisfied with the outcome of the Kromeriz talks—the Slovak side because the legal act to be drafted by the two national councils will be a "treaty" (rather than an "agreement" as the Czech side originally insisted) and because, under the agreement reached at Kromeriz, the federal constitution will be subject to ratification by the two national councils. The Czech side, on the other hand, can be satisfied because Slovakia will not receive the status of a "subject under international law," because the continuity of the Czechoslovak state will be maintained, and because "no other but the federal arrangement of the state met with support" at Kromeriz.

Bratislava PRAVDA in Slovak on 19 June on page 1 carries a 500-word Stefan Hrcka commentary entitled "A Game Involving the Republics." According to Hrcka, the results of the Kromeriz talks "look very attractive for Slovakia at first glance." There is a "serious snag," however, because the treaty that is to be signed between the Czech and Slovak Republics will probably not be legally binding, as the Federal Assembly will not be bound to respect it in drafting and approving the federal constitution.

Prague LIDOVE NOVINY in Czech on 19 June on page 3 carries a 700-word Jana Smidova, Jaroslav Veis commentary entitled "Through the Questionnaire Toward Breakthrough." The authors say that, despite the politicians' talk of a "breakthrough" at Kromeriz, "doubts have not disappeared." Above all, it is to be feared that, once the discussion on the constitutions is transferred to parliamentary soil, the Slovak National Party and Vladimir Meciar's Movement for a Democratic Slovakia "might return the whole constitutional process to the beginning." This would "take us back to the stalemate situation of the last few months." The "real breakthrough" of Kromeriz would be, according to the LIDOVE NOVINY commentators, if the politicians lived up to their promise "not to denounce one another and not to provoke conflicts in the future."

Prague MLADA FRONTA DNES in Czech on 19 June on page 2 carries a 600-word Marcela Pechackova commentary entitled "Constitutional Beginning and End." The author believes that it would be "premature to rejoice" at the outcome of the Kromeriz talks because they marked only the "end of the first stage" of the talks on the constitution. The second stage of the talks, on parliamentary ground, will be a test of the maturity of Czechoslovak politicians, who have yet to demonstrate whether they are able to sacrifice party interests for the common good. According to Pechackova, "we would be well advised to prepare ourselves for a very thorny path."

Local Civic Initiative for Slovak Army

AU2006195191 Bratislava PRAVDA in Slovak
19 Jun 91 p 2

[Unattributed report in the "Briefly From Home" column: "Establishing a Slovak Army"]

[Text] Yesterday in Bratislava representatives of the Voice of Slovakia [Hlas Slovenska] civic initiative turned to Slovak National Council [SNR] Chairman Frantisek Miklosko with a demand that the Slovak parliament speedily adopt measures to guarantee the defense, integrity, and inviolability of Slovakia's territory, borders, and air space. The Voice of Slovakia civic initiative is demanding that a Slovak defense law be adopted before the end of the 15th SNR session and that the basis for a Slovak army be created before the adoption of the Slovak Republic Constitution at the latest.

Dienstbier Outlines Civic Movement's Aims

LD2306175291 Prague CTK in English 1347 GMT
23 Jun 91

[Text] Brno, South Moravia, June 23 (CTK)—Chairman of the Republic Council of the Civic Movement (OH) Jiri Dienstbier told journalists here last night that the aim of the OH is a democratic and prospering society and return among the advanced countries of Europe. Speaking about the economic reform, which is now being implemented in Czechoslovakia, Dienstbier said that a fetish must not be made of it as was usual in the past. Success can be attained only if the ecological, economic and social aspects of the reform are in equilibrium, Dienstbier said.

He was meeting with journalists after a republic conference of the chairmen of the OH district organisations.

Meciar Heads Democratic Slovakia Movement

LD2206204291 Bratislava Ceskoslovensky Rozhlas
Radio Network in Slovak 1930 GMT 22 Jun 91

[Text] The constituent congress of the Movement for Democratic Slovakia ended in Banska Bystrica a little while ago with the adoption of a final communique.

The delegates approved the movement's statutes and program. The movement will continue to exist as a political movement and preserves its original name. Lubos Krno phoned us a little while ago and reported that the congress session received a telegram of greetings from Alexander Dubcek.

The delegates at the constituent congress of the Movement for Democratic Slovakia also issued a statement on the current political situation in which they stress the need to continue to develop the parliamentary system of government, high political standards, and the persistent promotion of the principle according to which the state apparatus should not serve political parties but the population. Their statement also rejected the claim that

Joint Enterprise Fund To Start Operating Soon

*AU2506140491 Prague CTK in English 1900 GMT
20 Jun 91*

[Text] Prague June 20 (CTK)—The Czech and Slovak American Enterprise Fund, established in March 1991, will be open for business at the end of this month, chairman of the fund John R. Petty told a plenary session of the Czechoslovak-U.S. Economic Council, which ended here today.

Petty said the fund aims to support private entrepreneurship in Czechoslovakia's transition to a market

economy. It will provide capital and credits to private enterprises which can look likely to become commercially viable in a free-market environment.

In its initial operating phase "priority will be given to projects which benefit the level of jobs, foster or expand exports, enhance the environment and increase energy efficiency," Petty said.

He added that the fund intends to attract additional foreign capital, facilitate joint ventures and provide guidance.

VOSZ Chief on Government's Economic Progress

91CH0652A Budapest HETI MAGYARORSZAG
in Hungarian No. 19, 10 May 91 pp 10-11

[Article by Tamas Koos detailing question, answer session with Janos Palotas, president of National Association of Entrepreneurs, by local citizens during a forum in Sasd and Pecs; date not given: "From the Forums of Janos Palotas Who Is Fighting for the Government, Rather Than Against It"]

[Text] Janos Palotas, the president of VOSZ [the National Association of Entrepreneurs] and a member of the National Assembly, tours the country regularly and holds forums at which he meets with local citizens. He recently visited Sasd and Pecs, where he answered a total of 54 questions put to him. We are publishing his answers to a few of those questions.

[Question] Why isn't the government entrepreneur-friendly?

[Palotas] It would be more accurate to say that the government is not economy-friendly. The government seems to have no confidence in the economy. But it is [equally] dangerous when politics controls the economy or abandons the economy completely. If the government lacks confidence in the productivity of its economy, then it has no confidence in its own ability to solve the economic background of the social tasks confronting it, does not believe that a solution is possible, and does not have a clear idea of how to arrive at a solution. That is typical of the government's behavior and was reflected also in last year's economic regulators whose rationale appeared to be: Let the old regulators remain in force for a while yet while we work a bit more on something new, and then things will be better from 1992 on. That puts economic experts in a difficult situation, for it leaves them nothing to dispute. Had the government said that things would be better in 1992 due to such and such measures, that the rate of inflation would drop as a result of this and that, then the government's concept might have been erroneous, but there would at least have been something to dispute. The government has lacked an economic policy and does not have one now, either. The government practically admitted as much at the end of last year when it requested an independent expert, Mihaly Kupa, to prepare its economic program. Evidently the finance minister and his team have a considerable grasp of economics, which cannot be said of the earlier period. The program they have elaborated has at least a nodding acquaintance with the economy. It is a program that is ready for debate. And in it, let us admit, the proportion of elements that I regard as wrong is tolerable. Having said this, the government still lacks an economic program, because in practice the Kupa plan is not being realized anywhere. Even since the program's publication the government has adopted measures that conflict, or at least are not in harmony with the Kupa program. I have to pay taxes, create jobs or conclude contracts on the basis of the regulations that are in force,

and not on the basis of the program. But then a program is one thing, and its practical implementation is again something else.

We read in the target program that the forint will be convertible by 1992. Would somebody please mention at least one measure we have adopted to make the forint convertible by 1992! The target program tells us what will be the rate of inflation by when. Would somebody please mention at least one measure whose effects are antiinflationary! Or take the management of our debt; who is there to tell us that we will be reducing our indebtedness by this much if we burden the population by that much? Everything goes easier if we know what our objectives are and see the meaning of our sacrifices.

[Question] The present situation is detrimental to entrepreneurs as well. What will happen to the Soviet market?

[Palotas] For us the Soviet Union is a very important and significant market. For years our concern has been how to be present in the Soviet market, assuming that it does not collapse, and how to serve as its gateway to the West. But the Soviet economy is in deep trouble at present, and it is to be feared that it might collapse. In which case we should not be there, so that it does not collapse upon us. Many people claim that this is a vicious circle from which there is no way out, and therefore, we should toss in the towel. And I claim that there is no vicious circle. The fact is that we are familiar both with the Soviet market and the Western market. None of the neighboring countries has this combination of experience. We may safely say that the Austrians do not, nor do the Germans or the British. They are unable to make concepts converge and are unfamiliar with each other's relations and systems, for that would presuppose knowledge of the input-output systems of both "worlds." Nobody else has mastered this combined knowledge as well as we have. I visited Hong Kong and Singapore and saw how they are taking advantage of the fact that they alone know both the Chinese market and the Western market. Our task is the same. In full awareness of our advantage, we must make use of it. We know what we would have to sell the Soviet market when and if the Soviet economy were to collapse. Since we know the market, we must assume a role in minimizing the loss! Our knowledge will have to be rewarded amply from the proceeds of the loss avoided in this manner. The sustained loss is a specific number; the relative profit achieved by minimizing the loss must be shared. That is a very lucrative activity. And if we succeed in being in the Soviet market if the Soviet economy does not collapse, then we must receive a share of the value of the Soviet economy's growth. Both markets presuppose that the knowledge we possess must not lie idle in our desk drawer, but must be realized in the marketplace. Obviously, there are people who do not understand these things and therefore see no future in them. To refrain from using their knowledge is not the solution. Instead, we must not use those people whose abilities fall short of these tasks.

How can we help? It was not I who outlined how we can help. Our Soviet partners told us how, in the course of our talks. They, too, realize that the economy's transformation is inevitable, and that such a huge economy cannot be controlled centrally. There can be relations only between enterprises, even in foreign trade. But the Soviets are completely isolated, with no knowledge and experience of foreign markets. They have good economists, yet the latter are familiar only with the domestic economic model and are less able to communicate with Western partners. The Soviet Union has experience of large-scale investments, such as the Soviet-Japanese agreement on petroleum production. But suitable Soviet experts are lacking for business deals of the order of millions and tens of millions. This is where we should step in because, I contend, among the countries of Europe we are best qualified for such a role. Taking advantage of our geographic location and our knowledge of markets will enable us to become a significant and fruitful center between the Western market and the Soviet one.

[Question] Will there be a World's Fair in 1995?

[Palotas] I think I have said fairly early and definitely that there will be a World's Fair in Budapest in 1995. The task is huge and, like everything else, it too can go wrong. But when such an opportunity offers itself, we must take advantage of it. Fortunately, the government has already adopted a standpoint in favor of Expo, and the opposition parties are sharply divided. What we now ought to decide is what kind of World's Fair to organize. Fearful of a deficit, these days we are talking of a bare-bones World's Fair. But I positively state that there will be a full-fledged World's Fair in Budapest in 1995. It has to be a full-fledged one because our aforementioned role as a center between the Western market and the Soviet one will become obvious in the next few years. Therefore, we will have to build our infrastructure and network of hotels for that role, rather than for the World's Fair. The plans will probably call for the construction of a divided highway with two lanes in each direction, but during construction that will change to three or even four lanes. Today our vision of the World's Fair is still half-hearted. It always costs more to squeeze something into a system later on, but the changes will be worth it even so. Afterwards we will be saying that it would have been better to wake up sooner. Our procrastination so far has already exacted a stiff price. While we were vacillating, between 30,000 and 40,000 jobs have been lost, about half of our present unemployment. Assets worth several tens of billions have been privatized up to now. Had there been a decision regarding the World's Fair, the proceeds from privatization would have been between 15 and 20-percent higher. The value of Tungram and HungarHotels would have been different, and that is true also of the approximately 30,000 operating units in commerce and catering that have been salvaged by converting them into joint ventures with foreign stakeholders. After the municipal elections

Budapest residents expected the new metropolitan mayor to convert the capital into a real metropolis in the modern sense. Instead, he has been preoccupied with ridding the underpasses of bookstores, and the towing away of illegally parked cars from Budapest streets has become the latest hit. Expo will not only create between 100,000 and 150,000 jobs; it will also increase revenue collection and the proceeds from privatization, reduce our planned expenditure for unemployment compensation and raise Budapest to the rank of one of the most beautiful and brightest capitals in the world. That is why Budapest's highest officials ought to become the champions of Expo.

[Question] We are being reminded constantly of our indebtedness, of having to pay interest on many billions of dollars. When will we be free of that burden?

[Palotas] Hungary is one of the countries with the highest per capita public debt. The government estimates that the business assets the state owns are worth between 1.8 and 2.0 trillion [forints]. This much income from privatization would in itself be enough to pay off our debt. But it is true that we should not start privatization at the level of grocery stores. By my estimate, that 1.8 trillion is at least 3.5 trillion. The privatization value of assets is at least 1.5 times their book value.

What we need is real privatization. Let us privatize even the railroad. Several Western countries had no problem in doing so. After America, there are now examples also in Europe to prove that telecommunications can be privatized very effectively. Such a huge project could reduce the public debt by between 10 and 15 percent. If a Western firm were to buy the now existing telephone exchanges within Hungary's telecommunications system and were to invest a few billions in them, everyone would be amazed that the telephone bills are not higher, merely the telephones are working. If a foreign firm builds and operates the new metro line, it will know that the fare cannot be more than what the average citizen is able to afford. Then what does it matter that the telephone system, the railroad and the metro are in foreign hands? When we travel on the railroad and metro, our lives improve and the foreign firms pay taxes. As a result of our better lives and improved circumstances, we spend more and pay more taxes. The whole thing is that simple.

I contend that many of the countries with debt burdens similar to ours would gladly trade with us. Being capitalist countries, they do not have state-owned assets which they could privatize and then pay off their debt from the proceeds.

[Question] You have won a seat in the National Assembly thanks to the governing party. Yet, in many instances, you are criticizing the government's actions and are fighting against it.

[Palotas] Please bear in mind that I am always fighting for the government, rather than against it.

I refuse to judge all Germans by certain incidents, such as those which took place after visa requirements for border traffic were abolished. Extremists are found everywhere. That is why I do not view seriously the incidents of the first half of April [when German neo-Nazis and skinheads pelted buses carrying Polish tourists with stones]. Prime Minister Bielecki said that our road to Europe must lead through Germany. I do not know whether it literally "must," but at any rate the Germans should be taken very seriously and the positive changes in their mentality which are evident today should be utilized. As for the eastern frontier and neighbor.... The peril that may eventually threaten there should be linked to the destabilization of the USSR. That is a grave problem and not unlikely to be topical. Still, I believe that it should not harbor a direct military danger, although a group of conservative politicians in the USSR, including military bigwigs, is growing in strength. They claim that the policy of Gorbachev and Shevardnadze has resulted in loss of prestige, curtailment of sphere of influence, and the decline of the USSR as a superpower. Whether this is so or not, that still does not substantiate an actual military danger [to Poland].

[Papuga] In view of this, can we afford neutrality?

[Kolodziejczyk] In one of my press comments I employed the term neutrality infelicitously, interpreting it as a military man, not as a politician. Seen from the military standpoint we are "neutral" because we are not linked to any alliance, and because we lack other similar guarantees. In this case a more appropriate term would be "nonalignment."

[Papuga] Not "independence?"

[Kolodziejczyk] No, because today a country like Poland, or even a larger and economically stronger country, lacks opportunities for complete self-sufficiency in the military domain as well. The point is that in that domain being technologically dependent on just one supplier can be pregnant in all sorts of negative consequences. In this matter, too, we have to choose our own road, a road of multilateral agreements and treaties safeguarding for our Armed Forces access to modern technologies and including our indigenous defense industry in the process of the international division of labor.

[Papuga] That road consistently lies in the direction of Europe—a secure Europe, let us hope.

[Kolodziejczyk] Assuredly yes, although that new secure Europe is still in its swaddling clothes. Ideas about systems of safeguards are in their birth throes; the multiplicity of options complicates reducing problems to a common denominator. But this is the road that should be followed, and as soon as possible at that, in order to lay in the not distant future the foundations for a stable system of security on our continent. That is for the future. I strongly believe that the conclusion of bilateral and subregional agreements creating a safety net that binds Europe by treaties is the prescription for the

present. The USSR, being preoccupied with its own problems, has not so far showed greater interest in these solutions, but let us hope that this will change, because an effective system of European security built in isolation from our eastern neighbor or neighbors is hardly conceivable. As for bilateral and multilateral intergovernmental agreements, these should not bear the earmarks of military alliances replacing in some way the recently dismantled Warsaw Pact.

[Papuga] How do you react to the bitter truth that NATO does not want us?

[Kolodziejczyk] Calmly and understandingly, because I believe that the road to a secure Europe leads not through the expansion of military structures but through their reduction. It should besides be borne in mind that, even if there should be no political arguments in disfavor of Poland's membership in NATO, there still would remain important economic arguments.

First, military integration cannot be considered in isolation from economic ties, and second, the application to the Polish military of the standards mandatory in NATO would cost many billions of dollars which neither the NATO countries nor, the more so, Poland can afford, now and in the next few years. Then also there is the question of whether the North Atlantic Treaty Organization, while an element doubtless stabilizing the situation on our continent, because it offers a counterweight to the armed potential of the USSR would, by extending its sphere of influence as far east as the Bug River, can still remain a credible partner to Russians in the arms talks under way? Would such a situation be more secure to Poles than the existing one?

I believe that a systematic and reasonably rapid disarmament offers an opportunity to Poland and Europe. Stanislavsky, the eminent theorist of theatre, claimed that if a rifle is used among stage props, it is bound to be fired at a certain moment. Over the European political scene hangs not a stage prop but an arsenal of frightful weaponry. Unless we reduce it, the possibility of a detonation will persist despite guarantees, declarations, and political will. Political guarantees will become meaningful once arms are reduced to the status of a "scarecrow."

[Papuga] What orientation of alliances is consonant with the Polish *raison d'etat*?

[Kolodziejczyk] We are bound by the formula of equal security of all our borders, equal closeness of all our direct neighbors, and good relations with the largest possible number of countries. We have translated this idea into reality by our agreements with Czechoslovakia and Hungary. Likewise the USSR is, Gen. Moiseyev claims, open to such an agreement, but it makes it contingent on signing an intergovernmental treaty. We have a declaration of intent as regards Spain, and we signed the first treaty with Germany, others still being readied. Such is the present-day approach to eliminating the danger of armed conflict.

[Papuga] Could you say nowadays of any country that it is a military ally of Poland?

[Kolodziejczyk] At present we are not bound by a military alliance to any other country whatsoever. Being on our own, we support the political resolution of all disputes and the abandonment, as soon as possible, of the threat of solving them by force. We support a balanced and reasonably rapid arms reduction in every country. We are not interested in declarations of alliance on paper that are not followed by deeds.

[Papuga] But there exist fears that crisis-ridden Poland could use some big power to lean on. Against this background one senses a growing frustration, which should not be confused with love of the Soviet Union. Can the Polish Armed Forces dispel these fears?

[Kolodziejczyk] Disinterested [as published] support of any big power? Unfortunately, altruism is a virtue that is rarely if ever practiced in politics. Here the dominant principle is that of *quid pro quo*. So then, not love, nor good intentions and counsels, but specifics, facts that must be created on shaking oneself free of apathy and frustrations. Despite their terrible budgetary situation, the Polish Armed Forces are doing everything to fully safeguard the borders of our country under the new political circumstances so that our *raison d'être* and our citizens would not suffer even an iota.

[Papuga] There arises the next problem: can the nation rely on the military considering that military service is so poorly paid and many political elites display their hostility toward the military by denying it the optimal political climate?

[Kolodziejczyk] I think that the rationales of, as you termed them, political elites, and the more so of groups viewing themselves as such elites (whether rightly or not), should not be identified with the rationales and expectations of the public. In partisan political contests attacks on institutions enjoying considerable social prestige owing to their purposes and the manner of exercising them are unfortunately often tolerated. This also applies to some extent to the military as an institution. Thus, to answer your question, it should be said that the nation can of a certainty rely on the military, who shall subordinate their service fully to the supreme *raison d'état* regardless of the shifting political situation, and the more so regardless of what narrow political groupings of various hue may wish. The declaration of the political neutrality of the Armed Forces submitted to the Sejm a year ago was in no way a spectacular gesture inspired by their leadership; rather, it reflected the will of an overwhelming majority of the career military (more than 70 percent of those polled), a will based on the conviction that serving the nation should be completely apolitical. This conviction is growing as time passes.

As for the material situation of the career military, contrary to the rumors in circulation, it has never been

good, but at present it is becoming dramatic. The percentage of military families living below the social minimum is steadily growing and a rising number of people, including the young, are taking steps to quit the military. We are dealing with a highly dangerous process whose consequences may prove irreversible for many years.

[Papuga] Being apolitical can also serve as a camouflage screen for certain old-time matters and careers.

[Kolodziejczyk] The relief felt after a prolonged period of political single-party hegemony, so burdensome to any sane man, is accompanied by a feeling of marked discomfort. The accounts of the past have to be settled, often at the cost of unmerited suffering to oneself. The Army was, is, and shall be the instrument of the nation. In this respect the Polish military mentality can be relied on as credible and loyal. Pursuant to law, it is the individual sinners who should pay for their sins in the past.

[Papuga] Imagine two scenarios, one positive and the other negative. The positive scenario would presuppose steering the ship of state as a result of an interplay of forces, of partisan political rivalry without the involvement of the state security agencies. The negative scenario would allow for a completely different situation in which the state would, owing to the egotism of certain political forces, begin to totter and the society would feel that the sole force capable of bringing order is the Army. What then?

[Kolodziejczyk] You are thinking of a coup d'état, are not you? Should it take place, it would mean a definite *finis* to democracy, and for many years ahead at that. The society should be made aware of this. It is possible to seize power under extremely lofty slogans, but this usually culminates in a dictatorship, which in its turn is an incurable disease, and that is why this alternative should not be considered at all, being pessimistic and tragic. There is no promising alternative to the process of building a democratic system, difficult and marked by great sacrifices of the society as it may be.

[Papuga] The optimistic scenario presupposes the free interplay of political forces. I am very curious to know how the officer cadre will be guarded against involvement in political structures and alignments.

[Kolodziejczyk] You are referring to the coming parliamentary elections, are you not? Well, I am definitely opposed to the involvement of the career military in politics, though this does not mean that I support a too far-reaching curtailment of their civil rights. Voting is a personal political act to which every Polish citizen should have the right. But at the same time I do not advocate the appointment of the career military to political or administrative positions. Let every person in this country do what he is trained to do best, as otherwise there would be chaos. In the future this view may be subject to a revision, but on condition that the concept of the education of both military and administrative cadres be altered. We are on the threshold of that process.

[Papuga] Do you believe that the condition of our Army warrants the belief that we are capable of self-defense on our own?

[Kolodziejczyk] Poland has so far retained self-sufficiency in its national defense, which means that starting something on any of our borders would be very costly to the party responsible. I feel certain that we would not be politically isolated in face of a danger, although to this day we lack any formal guarantees. Declarations attending local conflicts indicate that even small countries can resist for a long time, and that world opinion supports such resistance.

Instructive in this respect are the examples of Vietnam and Afghanistan, where intervention by the so-called superpowers culminated in a fiasco. Thus, the defense system at our disposal still assures the unprofitability of armed action against our territory. As for safeguarding the interests of national defense in the State Budget, that is another matter. If the budget remains unrevised and the degradation of our Armed Forces continues at its present pace, armed action by a potential aggressor against Poland will no longer be unprofitable.

[Papuga] What do you think of the position papers of various political parties on military affairs?

[Kolodziejczyk] In many cases they represent irresponsible political games containing cards which should not be there. "Sole warranted" strategic concepts that are divorced from reality and based on suspicions and feelings rather than reason are detrimental to the cause of national defense. When a person wants to help the military, we are open, invite discussion, and gladly present the facts and the unknowns of the equation. But as for demagogues and selfish politicians, they harm the nation by distorting and obscuring the image of the military and the problems against which it is struggling.

[Papuga] Can the president's attitude toward the military be an example to the leaders of Polish political life?

[Kolodziejczyk] Yes, his attitude reflects his great intuition based on some experience, considering that he had himself solidly done his two years of military service and reached the rank of corporal.

President Walesa trusts the military so far as their professional matters are concerned. He himself attends to strategic problems, but of course he is provided with sufficient insight into the situation. Given the burden of his responsibilities, briefing him about details would make no sense. On the whole, thus, I believe that he is acting constructively and supports endeavors to promote renewal within the Armed Forces.

[Papuga] Deputy Prime Minister Balcerowicz shows much more restraint in comparison, does he not?

[Kolodziejczyk] Despite the pitifully small budget for national defense I cannot accuse him of being hostile toward the military. He tries to be totally dispassionate and is consistent to a fault in translating his program into

reality. He treats everyone equally, "without love and without hate." His aim is clear: to strengthen the economy. A healthy economy means a State Budget that promotes a positive solution of many problems, including those faced by the military.

[Papuga] Lastly, it should be stated that the Army's greatest moral authority reposes in the person of the Primate [Jozef Glemp] and in the hierarchy of the Catholic Church.

[Kolodziejczyk] More than 90 percent of Polish military personnel are believing Catholics. They need room to satisfy their spiritual needs. Reverting to tradition, we afford them that space, also expecting that if soldiers adhere in practice to the Ten Commandments then discipline and the humanitarian dimension of military service can only gain. The Polish Episcopate has not, on its part, intervened into the internal affairs of the military. Military chaplains attend to their proper business, and they should be helped therein.

[Papuga] Thank you for the conversation.

Polish-Soviet Economic Cooperation Urged

91EP0512A Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 23 May 91 p III

["Excerpts" of a paper by Professor Nikolai I. Bukharin, member of the Academy of Education, USSR, delivered in Krakow in April during a seminar on Polish-Soviet relations, edited by D.W.: "Soviet-Polish Economic Relations: Current State and Perspectives"—first paragraph is RZECZPOSPOLITA introduction]

[Text] We have printed below extensive portions of a paper given in April at a seminar on Polish-Soviet relations in Krakow. The author of this publication is Professor Nikolai I. Bukharin, a member of the USSR Academy of Sciences:

The last decades of Soviet-Polish economic relations have played an important role in the functioning of Soviet and Polish industry in the sphere of providing for the populations of both countries. The Soviet Union supplied petroleum, gasoline, lubricants, natural gas, iron ore and concentrates, fertilizers, tractors, watches, refrigerators, trucks and automobiles, excavators and dredgers, machine tools, and tools. Poland supplied the Soviet Union with coal, coke, sulphur, soda lime, and dyes. It was the main supplier of ships, loading machines, office machines, grain dryers, milk refrigeration units, and medical equipment. All types of agricultural products that were supplied to the USSR had special significance. Polish cosmetics, clothes, shoes, and knitted fabrics were very popular. Supplies of medicines played an important role.

Long-term cooperation and specialization in the sphere of detail production for the aircraft industry, for crane construction, and for farming had great significance.

However, the artificial system of settling accounts, in the form of the transferable ruble, significantly complicated matters of mutual accommodation in our cooperative arrangement. Each side suspected that it was to some extent giving its partner loans and that it was realizing a loss on its own exports and so forth. In Poland, there were widespread stereotypes regarding the lack of profits from reciprocal economic relations and that the Soviet Union was exploiting Poland.

However, analyses conducted by Soviet as well as Western economists indicated that over the last 15 years at least, the Soviet Union's cooperation with the member countries of the CEMA, including Poland, was profitable from the financial point of view, but not with respect to economic considerations. A considerable portion of Soviet fuels was exchanged for finished goods produced by Polish industry. Eventually, as is evident from the calculations made in the institute where I am employed, the overall figures for deliveries to Poland that were subsidized by the Soviet Union amounted to \$7 billion—\$1.3 billion in 1990.

In recent years, the state of Soviet-Polish economic and trade relations has been characterized by the exhaustion of the reserves that make the growth of a normal exchange of goods possible, by a deepening trade disproportion, and by a fall in the efficiency of cooperation. Since 1989, a drop in reciprocal trade has been observed. In 1989, this was five percent, but in 1990 it was 25 percent.

Last year, the Soviet Union substantially reduced deliveries to Poland. It did not fulfill its obligations to supply petroleum, gasoline, diesel oils for high-pressure engines, and electrical energy. Also, the importation of machines and tools from Poland practically ceased. Because of the refusal of Polish users to enter into contracts in many branches of manufacturing of techno-machinery products, the USSR instituted a prohibition against shipments of televisions, refrigerators, bicycles, and other market items to Poland. The lack of agreements on the prices of some Soviet and Polish products also influenced the reduction in the overall trade figures.

In 1990, a sudden change in the direction of the transition to a market economy in Poland and the intensification of the tendency toward crisis in the economy of the USSR hastened the "breakdown" process of the mechanism and the remaining forms of bilateral contacts.

The decision made by the Soviet government to move to trade based on world prices after January 1, 1991 in settling accounts with the member countries of the CEMA brings about the closing of one chapter of Soviet-Polish economic relations and opens a new chapter. A process of change in the principles and mechanisms began and was supposed to gradually form a market model of cooperation. The subjects of reciprocal relations are also undergoing a change, and at the same time the union republics and enterprises will be playing a greater and greater role in these relations with the center.

Soviet-Polish economic cooperation should take on a normal, mutually advantageous commercial character.

However, when the decision was made to move to reciprocal commercial exchange based on the conditions existing in the world, it turned out that the Soviet side was unprepared to execute it. On our side, and on the Polish side as well for that matter, there is a shortage of indispensable, cash payment resources. The tax burdens of foreign trade as well as the prohibition that is in effect in the USSR against entering into barter arrangements caused the Soviet market to close to the influx of Polish goods. In the bilateral exchange of goods, chaos prevailed. Currently, an abrupt reduction in the magnitude of reciprocal trade of goods may be observed. The old mechanism of cooperation has been destroyed, and the new mechanism is being formed very slowly. At present, it does not exist even on paper.

In spite of everything, a definite mutual dependence between the Soviet and Polish economies has arisen as a result of the decades of economic cooperation. This should not permit trade turnover to be reduced to a level that would cause destabilization.

The general manufacturing structure, the low technical and technological level, and the specialization and cooperation, which in the middle of the 1980's constituted 25 percent of trade turnover, will push us toward cooperation. The previous years united 170 Polish and 400 Soviet enterprises and made them almost mutually dependent. The empty market in the Soviet Union has to be taken into consideration in relation to this. And in Poland, as a result of the significant reduction of ties, serious socioeconomic consequences have arisen. A complete interruption of cooperation would only intensify the economic crisis in our countries.

The destruction of the infrastructure created over the decades would also be reprehensible. Wide-gauge rail lines were laid between raw material bases and the plants that process them. Oil and gas pipelines were built.

We stand before a dilemma: the spontaneous, uncontrolled disintegration of economic relations, or their gradual rationalization conducted according to civilized norms. The Soviet side chose the second variant.

Today, it is obvious that the problem of a quick transition to the clearing of accounts in convertible currencies was imposed prematurely and also that a long-lasting transitional period, during which we should learn to trade for dollars, to rationalize reciprocal connections, and to more precisely define our interests, was indispensable. The search for new, transitional cooperation and methods of mutual account clearing is becoming the central problem. Transactions executed for the most part on the basis of currency clearing and barter arrangements will be taking place simultaneously with trade in dollar accounts. The Council of Ministers of the USSR is preparing decisions on trade on the basis of barter arrangements between the USSR and the member countries of the CEMA. This sort of trade, however, will not

have the character of spontaneous exchange. Enterprises competing to enter barter agreements will have to obtain a license from the Ministry of Foreign Economic Relations of the USSR, which also will determine future prices.

The realization of bilateral clearing will meet with twin difficulties. The first difficulty is the lack of a functioning market (above all, in the USSR), which complicates the formation of the clearing mechanism itself. The second difficulty is constituted by the fact that for the Soviet side the transition to a clearing system would be burdened with the necessity of maintaining the unfavorable exchange situation in the sphere of the proportion of "hard" goods (raw materials) and "soft" goods (industrial products) and the complication of adapting prices for imported finished products to the prevailing world prices.

In all probability, the process of forming a market model of cooperation between the USSR and Poland will have three stages: rigid currency clearing, liberal currency clearing, and free settlement of accounts in convertible currency.

The first stage will be characteristic of the first half of the 1990's. A protective customs policy as well as appropriate currency and financial regulation will be unavoidable in this period. The USSR will have to practice central regulation of the turnover of the amounts allotted for export of the more important fuel and energy resources and raw materials as well as some types of equipment. A limitation of the freedom to engage in foreign economic activity on the microeconomic scale will be in effect. Directors of enterprises and centers of foreign trade in the USSR will have to compete for licenses and permits for export and import.

As a consequence, during the stage of hard clearing, the asymmetry of the Soviet and Polish economies, which has been deepening of late, will grow larger. In Poland, the decentralization and demonopolization of foreign trade will take place; in the Soviet Union, definite centralization will be maintained. In addition, in the USSR, there is still obscurity in the area of granting authority to conduct foreign economic activity and to control resources.

In Poland, enterprises are already becoming entities; in the USSR, there are still no independent enterprises.

In the middle of the 1990's, after the introduction of the internal convertibility of the ruble, the stage of liberal currency clearing will begin. A broadening of reciprocal account settlement in national currencies and the stimulation of trade will take place. A marked tendency toward a gradual transition from economic relations between states to direct relations between enterprises and organizations will emerge. The role of the state will be limited to regulating foreign policy.

In the USSR—up until now—no models and mechanisms of cooperation at the level of the republics and enterprises have been fully worked out.

The process of organizing the economic relations of the union republics with Poland will not be easy. The Foreign Economic Bank of Russia does not possess a single cent. Analogous banks in the remaining republics control just five percent of Soviet currency reserves. In connection with the fact that the system of cells depends on the center, the possibility exists for numerous conflicts, which as a consequence will reflect negatively on relations between Warsaw and Moscow.

Soviet enterprises do not know the Polish market and will not be able to enter it. In the USSR, there is a lack of serious analyses of the specifics of this market. There is little information. Direct contacts between industrialists are rare. Firms are needed which would mediate in these contacts.

Taking a general view, it is necessary for a strong lobby for Soviet-Polish cooperation to arise in the form of an association involved in real cooperation in the form of chambers and so forth.

On the whole, the perspectives of Soviet-Polish economic cooperation are significant and seem to not be paradoxical. Indeed Poland, connected to the Soviet market, is an object of interest for the European Community and for Western businessmen. Without this connection, the Polish economy has no chance of transforming itself into a link in the West European integration process, an intermediate link in the connections of the EEC to the USSR.

For the overcoming of their own technical and technological handicaps, the Soviet Union and Poland can search together for roads to Europe. Creating joint enterprises with West European firms, Poland can invite its partner-neighbor. Along with realizing plans to modernize the infrastructure in the Soviet Union and Poland, the possibility of participating in consortia with Western firms appears. On the whole, one can say that it is possible to transform our economic connections into an element linking the state economies of the USSR and Poland to the all-European economic region.

Soviet and Polish traders should take advantage of the circumstance that the main trade routes from the Soviet Union to Western Europe pass through Poland.

The Soviet Union could participate in the modernization and development of those Polish enterprises in whose production it is interested. It could also obtain a portion of the joint stock of such enterprises or give security in the form of guaranteed supplies of raw materials. The Soviet side could also obtain a real basis for the organization of cooperation, including access to new technologies.

In defending themselves against the tax collector, the enterprises are demonstrating great ingenuity. More and more frequently, bank accounts are being bypassed when large transactions are made. The factories prefer to keep large amounts of cash in their cash boxes rather than in their bank accounts, which, although interest is paid on them, can be easily seized by the State Treasury. Sometimes the voivodes stop the enforcement of collections. They are allowed to do this by an applicable article in the law on local organs of government administration. That is why a proposal to change this law is being prepared in the Ministry of Finance. The change would take away the administration's right to halt enforcement of collection. It also happens that enterprises understate their income in order not to pay tax on it.

Call for Housing Construction, Financing Options

91EP0509A Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 7 May 91 p II

[Article by Malgorzata Szyszlo: "Housing Policy Assumptions: Rental, Land, Credits"]

[Text] Work on the "Housing Policy Assumptions" [document] has been completed in the Ministry of Land Use Management and Construction. This document, together with the drafts on the housing law and the anticrisis law, constitutes a certain totality on a new approach to the matter of satisfying the needs of housing and the economy with the existing resources.

Total requirements for new housing in this decade amount to approximately 3.6 million dwellings. To meet these requirements, at least 360,000 dwellings a year will have to be built—the authors of the assumptions state. We also read in this document that it will not be possible to obtain a significant improvement in the housing situation in a short time.

To double the annual size of construction, over what was achieved in 1990 (when 132,000 dwellings were built), it would be necessary to increase outlays, over a 10-year period, by about 270 trillion zlotys for housing construction and approximately 110 trillion zlotys for engineering infrastructure. The costs of eliminating the repairs gap and performing repairs and modernization on a current basis, however, are estimated at 210 trillion zlotys. Whether increasing such outlays will be possible will depend on the speed with which the economy will be transformed into a market economy and on the rate of economic growth in the next few years.

The assumptions underscore the fact that the state must stimulate economic activity in construction due to the connection of this sector with other sectors of the economy. Housing construction may absorb the surpluses in the labor force. A larger supply of housing would not only ease social tensions but would also increase the mobility of the labor force, which would facilitate structural transformations in the economy. In turn, an adequate system for financing construction may become an important factor in fighting inflation. The

prospect of owning one's own home tends to make people save, and the repayment of housing loans compels more efficient consumption.

One of the most important goals in the housing economy, the assumptions state, is the formation of legal, institutional, and economic foundations for the activation of the market mechanisms relating to housing needs. At the same time, the social effects of the departure from the old system, which was based on direct state intervention, would be mitigated. Except that the approach to the market model will be very gradual.

Various ways of meeting the needs of housing are provided in the target model, depending on the finances of the household, namely: rental of an apartment in a private or municipal rental house; allocation of a cooperative apartment; or purchase of a house or apartment. The tenant, according to the assumptions, would pay the full costs of operation and maintenance, plus a profit for the owner. During the period when there are still not enough dwellings, there must be control over the size of the rents. But this rent control must be measured so as not to discourage potential investors from investing their available capital in rental housing construction. The interests of the tenants must also be protected to ensure that their rental contract is valid while at the same time, it does not limit the owner in the disposition of the premises. The owner must be able to evict a tenant who violates the terms of the rental contract.

Land for use as construction sites would be obtained through voluntary sales and purchase contracts. The only exception to this rule would be the ability to take land through expropriation, but with full compensation, for multifamily housing construction. Preparation of land for construction would be the task of the territorial self-managements. It is proposed in the assumptions that the rural townships make developed land available through auctions. But a system of taxation must be worked out which would prevent the speculative holding of land. Insofar as execution is concerned, the changes consist of rapid privatization and deconcentration of state construction enterprises. The object, very simply, is to create a healthy competition.

Regardless of the fact that the system for meeting housing needs will be based on market mechanisms, the assumptions provide that the state will retain an important role. It will support cheap rental housing construction by local self-managements for persons who cannot afford to buy or rent housing, provide assistance in the form of supplements for persons living below the poverty line, and reductions in taxes on personal incomes which support investment expenditures and savings for housing purposes.

In the field of the economy, using the existing resources, it is proposed that management rules be changed so that bureaucracy-laden organizations, in which the interests of the administration dominate over the interests of the residents, be eliminated.

The new system of granting credits for housing construction should be based, it was said in the assumptions, on a separation of credits granted during the building phase, from credits granted to purchasers of premises or buildings. Credit for construction should be short-term credit. However, a buyer of a dwelling should be able to obtain long-term credit. Its size would be adjusted to the creditor's ability to pay. And a condition for purchase would be having no less than 20 percent of the value of house in one's own funds. Credit payments should be spread out over no more than 30 years and the credit returned should be an effective amount, so as to make it profitable for the banks to grant it.

With the present relationships between personal incomes, the price of one square meter of surface area, and the size of the interest rate, assistance of the state in paying the interest due the bank is essential. But this assistance cannot consist of subsidies on the interest for every housing credit, but on granting credit to those families who cannot afford to pay the interest due themselves. One of the conditions for setting up a long-term mortgage credit, secured by the value of the dwelling, is deemed to be the reality of evicting a debtor who does not pay his loan instalments. The authors of the assumptions are of the opinion that a Central Mortgage Bank should be established, whose task it would be to refinance mortgage banks.

The inadequate banking system and the lack of well-functioning institutions on the capital market means that it will not be possible to achieve the target model for financing housing construction in a short time. Current and short-term actions, therefore, should be concentrated on improving the effectiveness of the utilization of budget funds and gradually creating the framework of a target system.

Risk of Recession, Bankruptcy in Agriculture

91EP0509B Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 8 May 91 p III

[Article by Dr. Wieslaw Gawron and Michal Juchnowski of the Institute of Agricultural Economics and Food Industries in Warsaw: "We Must Follow the Example"]

[Text] Agricultural policy was and is a subject of lively discussion and growing tensions. During the period of the all-powerful centralized system, the increasingly greater shortages of food on the market not only helped private farmers to survive, but also forced the government to set up the command-distribution mechanisms of control which favored them.

Thanks to this, private farming had access to relatively cheap credits and to a large degree, to subsidized industrial means of production. The shortage also had this advantage: there were willing buyers for everything that the farmers produced (with the exception of the years in

which crop failures occurred). As a result, Polish agriculture, despite an obsolete agrarian structure and technological backwardness, had a relatively high production growth rate.

In the production of some farm articles, in per capita terms, we began to surpass countries with a modern agriculture. Nevertheless, we were not able to eliminate the shortage of food on the market. This was due mainly to the policy of maintaining relatively low prices on food and the growing pressure in the nonagricultural sectors for wage increases which increasingly were granted without any relationship to a growth in labor productivity.

The move to a market economy removed from agriculture the uncertainty of the permanence of private ownership, but it intensified the impact of economic uncertainty. Now, instead of collectivization and conversion to state farms, the threat of bankruptcy hangs over agriculture. Personal incomes took a large drop and, as a consequence, the predominance of supply over demand appeared. The high interest rate on credits, the progressive inflation, the inflow of competitive food commodities from abroad, and the growing price gap working to the detriment of agriculture, did the rest. Agriculture is falling into a deeper and deeper recession.

Farmers are demanding that interventionism be applied (export, guaranteed profitable prices, low interest rate on credits, high barrier tariffs). Interventionism has been used for a long time in many countries which have a market economy. The experience of these countries has shown that interventionism produces the desired effects where large fluctuations in the economy do not occur. The fluctuations in the Polish economy are mostly very high and because of this they cannot be regulated with the help of the interventionism instruments used in countries which have a stable economy.

The creation of conditions for expansion in agriculture depends mainly on increasing the demand for food on the domestic market. The large drop in personal incomes at the moment the move to a market economy was made (30 percent), the relatively high share of expenditures allocated for the purchase of food (over 50 percent of income), the growing cost of housing rentals and fees for energy, the deep recession in the nonagricultural sectors, which does not create conditions for growth of the wage fund, and the slowly proceeding process of privatization, allow us to predict that even a large drop in the price of food will not produce a high flexibility in demand in either the immediate future or over the long term. With the other costs of living growing rapidly, consumers will be forced to cut into the largest item in the budget, the expenditures for food.

Exports are able to level out only small surpluses of production. Barrier tariffs will make food more expensive and thus will reduce demand. Furthermore, the size of the tariffs is fixed by international regulations. To give agriculture cheap credits and guaranteed profitable

prices without the possibility of sales would result in economic disaster. That is why a reasonable farm policy should be shaped based on the absorptivity of the domestic market and the ability to export. This is unquestionably difficult for the farmers to accept when political games are being played and when economic information is unclear or completely absent (forecasts on the size and structure of demand, the level of prices and export).

Improvement in supplying information to farmers will be slow due to lack of a specialized staff, a suitably developed infrastructure, and (what is most dangerous) the convenient and also safe use of the old symbols of management. Under these conditions, the use of interventionism which is more propagandist than effective, will not lessen the dissatisfaction in the countryside, but will add to it.

If we become better acquainted with the experience of the Western countries we will find that the economics and scale of production of the processing plants depended, and continues to depend, on the development of agriculture. In Poland, for years, despite the inadequate support given to the food economy, agriculture was better equipped than the food industry. Now these disproportions in development are making the difficult situation in agriculture even worse. Because of this, if a policy of intervention is to be successful, it must first of all take into account the interdependence of the development of agriculture and the food industry.

In accepting such an approach, when there is a surplus of supply over demand, it may become necessary to take

some of the arable land out of production. It may also become necessary, therefore, to compensate the incomes of those farmers who decide to take some of their land out of production. If we cannot afford to do this, then they should at least be exempted from paying taxes on the land not being cultivated.

What the farmer decides to produce, in what quantities, and at what prices, should be regulated by a system of contracts. The contracting parties in this case would be the food industry, export firms, and other buyers appearing on the market. A contracting system for commercial crop cultivation has existed in Poland for many years. It helped greatly in the application of technical advancements and what is most important, was affected the least by real socialism. Therefore, by expanding it, we can make use of our own experience. A farmer, entering into a contract for production obtainable from only a portion of his land, could let the remainder lie fallow or cultivate it at his own risk.

It may be charged that the solution described will strengthen monopolistic practices in relation to the farmers. It is hard to deny this. But it is also difficult to find an agriculture which is free of the dictates of monopolists. It is for these reasons that governments, as well as farmers themselves, create mechanisms and institutions to defend their interests. Freeing agriculture of monopolies is possible only in theoretical discussions. Monopolies are an indispensable part of competitive practice. Farm production, stabilized by a system of contracts, will be subject to regulation with the help of the interventionism instruments which we are now trying to apply following the example of the Western countries.

Zagreb Economic Bank Director on Banking System*91BA0838A Zagreb VJESNIK in Serbo-Croatian 14 Jun 91
p 6*

[Comments by Jozo Martinovic, director of the Business Bank of Zagreb; "The Republic Foreign Exchange Market Is a Reality"]

[Text] Privredna banka Zagreb d.d. [PBZ, Business Bank of Zagreb, a joint stock company] is by European standards a medium-sized bank. In Yugoslavia, however, in the Yugoslav ranking, it is in third place, and on the republic list it is first. Even it has not escaped troubles with the National Bank of Yugoslavia [NBJ], in which it has \$520 million. But in spite of everything, the PBZ hopes for better days.

"We see the FEC [Federal Executive Council] decision on disposition of the foreign exchange of individuals as instructions issued to all commercial banks in the country on how the federal guarantee of foreign exchange savings is to be administered. But the Federation has not insured the foreign exchange for payment of foreign exchange savings, nor the dinars to purchase foreign exchange on the foreign exchange market," says Jozo Martinovic, director of the Business Bank of Zagreb.

"It is well known that foreign exchange savings are deposited in the NBJ. Now that individuals want to withdraw their savings, it is normal for the NBJ to return that money to the bank so that they can pay it out. If the NBJ does not return the foreign exchange, but tells the banks to go purchase it, then the NBJ should return the dinar equivalent of it, so that the banks could use it to purchase the exchange they need. In that case, the NBJ and the FEC ought not to set any conditions whatsoever on the banks.

"As for new foreign exchange savings, both in dinars and foreign currencies, individuals can dispose of them without restriction, because the bank lends them to the economy in the form of foreign exchange loans or keeps them deposited in foreign banks," the PBZ director said.

They Have Sued the NBJ

Nor has that bank been immune to the inflexibility and inertness of the NBJ. Following a one-sided correspondence, which is to say that there was not a peep out of the NBJ, the Business Bank of Zagreb filed suit against Yugoslavia's central financial institution.

"As against the \$86 million which we sold to individuals and were 'sitting' in foreign exchange savings over the last 12 months," Martinovic says, "we set aside dinar funds in a separate account with the SDK [Social Accounting Service]. We asked the NBJ to sell us foreign exchange so that we could put it in foreign exchange accounts, but they never sold it to us. In February, that account was closed, and against our will the funds were transferred to the bank's account. Today, that money is not enough to purchase even \$40 million, which means

that the NBJ and the state have inflicted a loss of more than \$46 million, and we have filed suit to recover damages. If there is a law and a legal system, and we believe there is, we will win the suit."

The Foreign Exchange Market Already Exists

On the subject of the republic foreign exchange market, Martinovic says that it already exists and that it only needs to be institutionalized.

"For all practical purposes, foreign exchange markets exist in every bank and in all regions, whether we acknowledge that or not. Rights to foreign exchange or foreign exchange itself are also being traded between enterprises and individuals. It is just a question of institutionalizing it, which means providing the space, equipment, and specialists who could do that job in one place. The foreign exchange market, aside from that unified one, has been functioning in an organized way in Ljubljana, where last week they sold foreign exchange at 15 to 16 percent above the official rate. There is no reason whatsoever for not organizing a market in foreign means of payment or rights to foreign exchange at the republic level, the bank level, or at the level of a group of enterprises. If full information is furnished, if offers are collected on the one side and there are demands on the other, and if they come together in one place, then this is done in a far better fashion and faster than if that does not exist. Our foreign exchange market could start operation practically immediately. Sooner or later, if the federal market does not function, a foreign exchange market will have to be organized at the level of the republic or the banks," Jozo Martinovic said.

On Financial Rescue

The Assembly of the Republic of Croatia adopted two legislative bills in its last session to regulate the question of financial rescue. One is the law on financial rescue of certain public enterprises, exporting enterprises, and enterprises in the sector of primary farming activity. Their financial rescue is so conceived that Croatia provides them additional capital—their capital is increased by means of bonds issued by the republic which always represent a real value and real interest of 5 percent per annum. The enterprises would use those bonds exclusively to pay off credit to the banks, which accordingly would hold claims against the republic. In this way, both the enterprises and the banks are rescued at the same time.

The other law has to do with individual financial rescue of the banks. The biggest problem is certainly the foreign exchange savings of individuals, because the foreign exchange is deposited in the NBJ. Its value has been spent long ago, and it can be paid back only from the future revenues, which means that one day it must be proclaimed a public debt which the government must back, and it must state when and under what conditions it will be paid off. Enterprises operating at a loss and

unable to repay loans to the banks are another problem. Then there are enterprises in bankruptcy, and here the banks have, for all practical purposes, lost debtors for certain loans. By implementing the two laws we arrive at sound banks which do not have any bad assets on their books and can issue new credits and make new loans, but now on altogether new principles, in the opinion of the director of the PBZ.

On the Future

"Even before enactment of those laws, we had changed our organization and business policy, established several enterprises, became actively involved in the transformation of ownership and the housing reform. What is more, the PBZ began its financial rescue back in 1982, and under that program, which it completes in 1994, it has certain claims which it will collect in the period that follows. We think that by the end of the year we will have completely sound assets and that we will be doing business according to the principles of the banking business honored by all the banks in the world. The managing board has been reconstructed so that the bank is managed by the owners of the assets and sound enterprises who have an interest in seeing that the bank does business well and realizes a profit."

"It is our goal," Martinovic is categorical, "to truly become a medium-sized bank that will operate on European principles, which means safe business operation

and profitability of every transaction. When we speak about individuals, then conventional savings, either in dinars or foreign exchange, is a thing of the past. Instead of conventional savings, we offer earmarked savings, investments in various enterprises in which they will be the masters of their capital, investments that will bring them greater profit than what they are getting today in the form of interest. The possibilities for investment are really unlimited—the sale of socially owned housing units, the transformation of socially owned property, where individuals can turn their savings into shares of enterprises, banks, and financial organizations, the creation of mixed banks...."

On Trust

"The lost trust will be restored depending on the bank's business performance. What we owe individuals is to organize safe and profitable business operations and to place that money in a particular activity, so that for that value they will get a fair market compensation in the form of profit. What is more, practically without any new investment the banks will turn to individuals interested in developing a particular activity. We do not expect the individual to be trustful, but to seek his interest. After all, if he is seeking his interest, and the bank is seeking its interest, then a relationship is established based on interest and it can bring long-term benefit to both sides."